

Company name: Nikkiso Co., Ltd.
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Announcement on the Construction of a New medical factory in Japan

Nikkiso Co., Ltd. (the “Company”) resolved, at its board of directors meeting held today to construct a new factory for the medical business on the site of Nikkiso Miyazaki, as described below.

1. Background and purposes of building the factory

The Company has been producing and supplying blood tubing lines, which are essential disposables parts for hemodialysis therapy, to patients worldwide requiring therapy from two locations in Vietnam and Thailand. Blood tubing lines are important disposables parts that need to be replaced each time a therapy is generally performed three times a week, and they are also vital for continuing therapy. In Japan, the main market, the Company has played a major role in preserving the lives of patients as a leading company in supply of blood tubing lines.

With the worldwide spread of pandemic coronavirus infections, its factory of blood tubing lines in Ho Chi Minh, Vietnam, has been forced to restrict operations since the end of June 2021 by strengthening regulations to prevent the spread of infections by authorities. With the continuation of product supply to medical institutions as its priority, the Company is continuing to take all possible measures, such as providing substitutes with the support of partner companies and responding to increased production at its Thai factory. At present, the operation rate of this factory in Vietnam is gradually recovering.

The spread of pandemic coronavirus infections has resulted in disconnection and confusion of the supply chain at the global level, including the company itself. There is a need for companies to develop new supply chains and countermeasures against the risks of these economic activities being restricted.

Against this background, the Company recognized that the establishment and reconstruction of production and supply systems are urgent issues in order to ensure its responsibility to supply blood tubing lines that serve as lifelines for dialysis therapy, and the Company has investigated various measures to address production, supply, and quality risks.

As one of these measures, the company decided to construct a factory of blood tubing lines in Nikkiso Miyazaki to make the manufacturing process automated and efficient, thereby creating a system that can stably supply high-quality products to the domestic market. In addition, by reviewing the composition of our current complex products and summarizing the types of products, the Company will also be able to respond to rapid changes in supply and demand. We will continue to strengthen the sustainable supply chain for patients and medical institutions.

2. Overview of Facility

(1) Name	Nikkiso Miyazaki Medical Factory
(2) Address	Miyazaki-shi, Miyazaki, Japan
(3) Total floor area (planned)	About 13,000m ²
(4) Total investment (planned)	Planned total factory construction cost and capital investment of approx. 7.3 billion yen <ul style="list-style-type: none"> • Until 2023: ¥5.9 billion (Buildings, 1st production line and other facilities) • Until 2025: ¥1.4 billion (2nd production line)
(5) Financing plan	Appropriation by own funds, etc.
(6) Description of Businesses	Production of disposables parts for hemodialysis (blood tubing lines)
(7) Number of employees	About 180 persons (at maximum production)
(8) Start of operation	Jul. 2024 (planned)

3. Outlook for the future

The first production line and the second production line are scheduled to commence operations in the third quarter of 2024 and the first quarter of 2026, respectively, and the impact on the consolidated financial results for the year ended December 31, 2021 is immaterial. We will promptly disclose any issues that need to be disclosed in the future.

(Reference) factories of blood tubing lines by site

	Overview	
M.E.Nikkiso Co.,Ltd.	Address Major Destinations	Bangkok, Thailand Japan
M.E.Nikkiso Vietnam Co.,Ltd. (Scheduled to start operation in 2Q 2022)	Address Major Destinations	Quangai, Vietnam USA
Nikkiso Vietnam MFG Co.,Ltd.	Address Major Destinations	Ho Chi Minh, Vietnam Japan, Europe